Jewellers' gold sourcing more challenging in times of war

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With Russian gold and diamonds off-limits due to the war in Ukraine, makers of luxury jewellery and watches are finding it more difficult to secure raw materials and address human rights issues in supply chains.

Russia is the world's biggest producer of natural diamonds, according to the World Diamond Council, and the second-largest gold miner, according to the World Gold Council.

Cartier maker Richemont said in March it was not buying any diamonds mined in Russia since the Feb. 24 invasion, and it reaffirmed in its sustainability report on Thursday it was not buying any recycled gold from Russia.

Recycled gold is under scrutiny because it may contain gold of dubious origin.

Non-governmental organisation Swissaid said last month a jump in Swiss gold imports from Dubai in March raised questions over whether Russian gold was finding its way via Dubai.

Reuters did not find evidence to back up that claim, but Robin Kolvenbach, chief executive of Swiss gold refinery Argor-Heraeus, told Reuters: "One can assume that gold from Russia also ends up in Western value chains via Dubai."

Kolvenbach said Argor-Heraeus has not accepted gold from Russian beneficial owners since Feb. 24.

"I've heard there are challenges in Dubai, we don't buy gold from there," Richemont's new sustainability head, Berangere Ruchat, told Reuters.

Dubai's government media office did not immediately respond to a request for comment.
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Ruchat said Richemont had the tools and experience to segregate the origin of its raw materials and aimed to know by 2025 the exact origin of all its gold.

It sources 94% of its gold through its in-house refinery Varinor that focuses on recycled gold of industrial origin or old jewellery from North America, Western Europe and Japan, but does not disclose its suppliers.

Swatch Group said in its 2021 sustainability report that it avoided using recycled gold from external sources given the lack of traceability back to the mine.

Family-owned watchmaker Patek Philippe said it trusted its suppliers and the rules set by the government for raw material sourcing, while Chopard did not return requests for comment.

Rolex said it had set up its own traceability system for gold from the mine to the finished product, certified by external audits. It was also developing its own certification model for diamonds, requiring its suppliers to communicate the origin of each batch.

An important tool for jewellery and luxury watch companies to certify the origin of recycled gold are the Responsible Jewellery Council (RJC) labels that industry players avoid criticising in public. An exception was when the High Horology Foundation that is close to Richemont said in official comments on a Swiss due diligence reform last year: "RJC standards have a loophole that makes it very easy to produce recycled gold - scraps are recycled and become de facto responsible Chain-of-Custody (CoC) certified gold."

The CoC is the RJC's strictest standard for materials that should, according to its website, "tell the complete story about how they were sourced, traced and processed, from mine to retail". Only 221 of the RJC's more than 1,500 members are CoC certified.

The industry body's reputation was shaken in March when Richemont, Pandora and Kering left over the RJC's ties with Russia's state-owned diamond producer Alrosa.

Richemont executives criticised the RJC's governance at the time, but Ruchat said they were now talking again to save the 15 years of work on a standard that was important to have.

The RJC said most of the companies that stepped down had since returned. It did not comment on how it would improve its labels or governance.

Laurent Maeder, professor at Sustainability Management School SUMAS, said gold mining was hard, dangerous work using lots of chemicals.

"You don't have clean gold or clean diamonds even if they are labeled fair," he told Reuters.